

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **March 29, 2006**

Graco Inc.

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction
of Incorporation)

001-9249

(Commission
File Number)

41-0285640

(I.R.S. Employer
Identification No.)

**88-11th Avenue Northeast
Minneapolis, Minnesota**

(Address of principal executive offices)

55413

(Zip Code)

Registrant's telephone number, including area code: **(612) 623-6000**

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule-425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement

Summary of Prior Credit Agreement. As of December 31, 2004, Graco Inc. ("Graco") entered into a credit agreement (the "2004 Credit Agreement") with Wachovia Bank, National Association ("Wachovia") which provided for a 364-day \$50 million unsecured revolving credit facility with a \$10 million sublimit for the issuance of standby letters of credit. On December 30, 2005, Wachovia extended the maturity date of this facility to March 31, 2006. All terms and conditions of the original agreement remained in effect with the following exception: for a leverage ratio less than or equal to 1.0x, the facility fee was reduced to 0.07% from 0.08% and the LIBOR Spread was reduced from 0.37% to 0.33%. The outstanding principal balance, accrued interest and all other amounts due were due and payable on March 31, 2006.

Summary of New Credit Agreement. On March 29, 2006, Graco and Wachovia entered into a credit agreement ("2006 Credit Agreement") which provides for a 364-day \$25 million unsecured revolving credit facility with a \$10 million sublimit for the issuance of standby letters of credit. The terms and conditions of the 2006 Credit Agreement are the same as the terms and conditions of the 2004 Credit Agreement with the following exceptions: the interest rates and fees are reduced as indicated on the chart below; notices of proposed advances must be provided to Wachovia by noon local time; monthly payments of any advances and fees will commence on April 30, 2006; and all principal and interest is due and payable on March 31, 2007.

Leverage Ratio	LIBOR Spread	Facility Fee	All-In Drawn	Standby LC Fee
<.5x	0.33%	0.07%	0.40%	0.40%
≥ .5x to 1.5x	0.41%	0.09%	0.50%	0.50%
≥ 1.5x to 2.5x	0.54%	0.11%	0.65%	0.65%
≥ 2.5x	0.65%	0.15%	0.80%	0.80%

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GRACO INC.

Date: March 30, 2006

By: /s/James A. Graner

James A. Graner

Its: Chief Financial Officer & Treasurer